March Delinquency Drop Probably Exaggerated by Events

By: Jann Swanson | Thu, Apr 22 2021, 10:44 AM

Black Knight's "first look" at loan performance data in March brought back memories of an old TV ad, "Is it real or is it Memorex?" The company **said that mortgage delinquencies were down during the month by a whopping 16.4 percent.**

The company is quick to note that **the apparent improvement is probably not indicative of a trend.** March is typically the best month of the year for mortgage performance and over the years other sources have explained this in part on the winding down of winter's higher home energy heating costs, seasonal relief from back-to-school and holiday expenses, the short month the precedes it, pushing some February payments into March, and as Black Knight also says, the arrival of tax refunds. These factors have, over the last 20 years, helped delinquencies decline by an average of 10 percent in March as homeowners have used extra funds to catch up on mortgage payments.

This typical March performance twitch has been magnified this year by an improving economy and the billions of dollars households have received in stimulus checks the company says. **The calendar also added a little havoc to the numbers.** When months end on a Sunday, mortgage payments coming in at the last minute are not posted until Monday and the new month. This usually causes the first month's past due numbers to tick up. This year February ended on a Sunday, further shortening the months posting period, and giving March a little running room.

All the above may make the 1 point decline in the overall delinquency rate, from 6.02 percent to 5.0 percent in March a bit of an artifact, created by a confluence of timing and some **rare, even unprecedented, financial events.** Still, with 2 million mortgages in forbearance plans and with most of those plans with only six months left to run, more than a half million loan decline in delinquencies in a single month is welcome.

Serious delinquencies, loans 90 or more days past due including loans in foreclosure, declined by 156,000 during the month, but at a total of 1.92 million, are up 1.51 million from the March 2020 level, a quintupling since the pandemic began. Foreclosure starts rose 28.2 percent to a total of 5,000, but given the various foreclosure moratoria in effect, were 81 percent lower than a year earlier. There are 162,000 loans in the process of foreclosure, a record low, 6,000 fewer than in February and down 56,000 year-over-year.

Prepayments rose by 17 percent in March to the highest level in more than 17 years, driven by a seasonal rise in home sales alongside a rise in refinance activity locked in before rates began to rise in mid-February.

Black Knight will provide a more in-depth review of this data in its monthly Mortgage Monitor report. It will be released on May 3.

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